

UBS Investor Watch

Hong Kong insights on investor sentiment / 2Q 2018

The century club

The rising prospect of living ten decades

100

The idea of living a century was once confined to science fiction. But no longer. For Hong Kong's wealthy, living a 100-year life is not an outcome they consider a mere possibility. It's one they expect.

In this first global issue of *UBS Investor Watch* – the largest recurring survey of wealthy investors in the world – we explore the interplay among wealth, health and longevity. More than 5,000 investors in Germany, Hong Kong, Italy, Mexico, Singapore, Switzerland, Taiwan, the U.S., U.K. and UAE shared their views with us. This included over 400 in Hong Kong.

We found that nearly 60% of investors in Hong Kong expect to live 100 years. Regardless of how long they expect to live though, health is of paramount importance to nearly everyone. In fact, most consider their health to be more important than their wealth.

Given this importance, it should be no surprise that they are willing to invest significant sums to maintain their health. Investing to improve the health of wider society is something wealthy Hong Kong investors feel equally strongly about. This comes from a passionate sense of “duty” to improve the health of wider society in Hong Kong.

While confidence is high about living long lives, many investors are anxious about the financial implications of this. Healthcare costs are the top concern. They also worry about having less to pass on to successors and lowering living standards to make their wealth last longer. In the face of these concerns, many have already started to adjust their financial holdings and inheritance planning.

As for whether they are successful, the ultimate judge will be time itself.

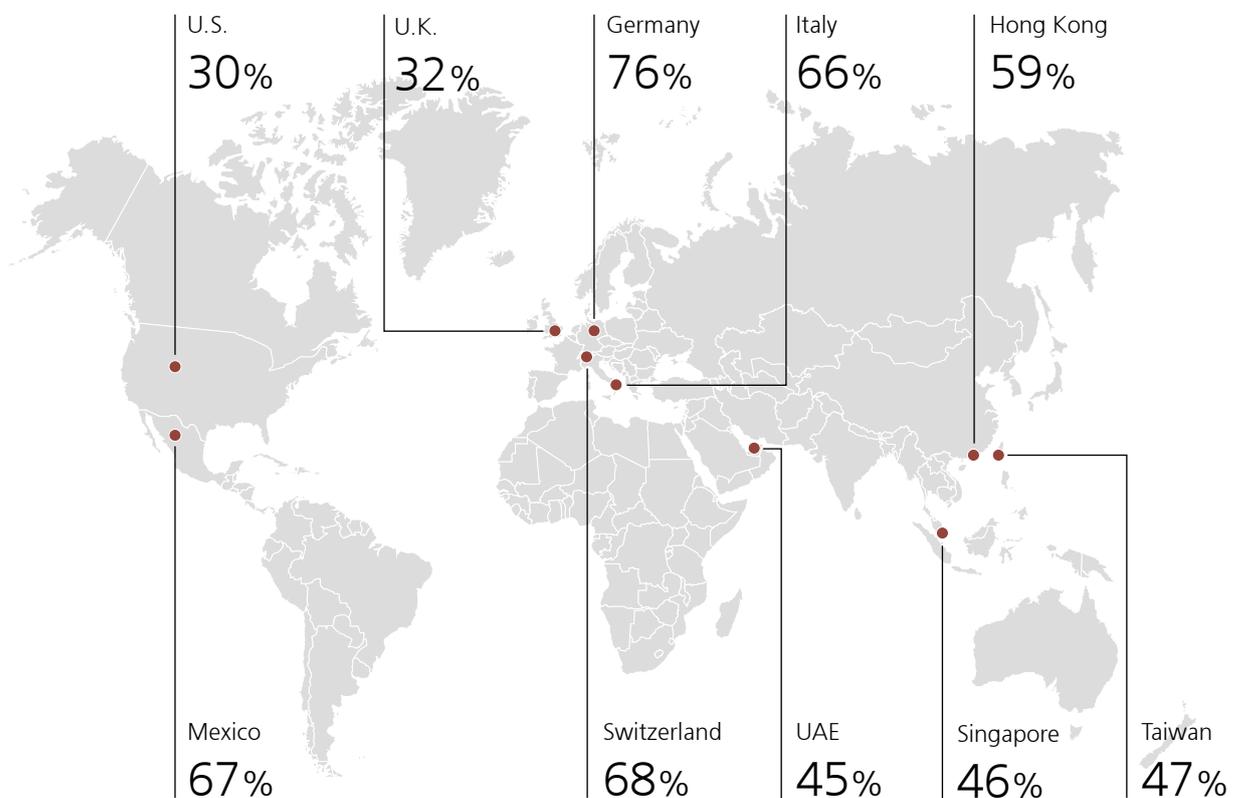
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Most wealthy investors in Hong Kong expect to live for 100 years

On average, 59% of wealthy investors in Hong Kong expect to reach age 100. This is considerably higher than the 80-year life expectancy in most developed countries today. Expectations for longevity vary by country and region however. Investors' expectations in Singapore and Taiwan are lower than those in Hong Kong, while in continental Europe the percentage is markedly higher.

Waiting for one hundred

Percentage of investors who expect to live to 100



The prospect of living to 100 creates financial anxiety

Despite their wealth, investors in Hong Kong worry about affording a 100-year life. Healthcare costs are a key concern, with 52% of investors worried about rising medical expenses. Concern is on a similar level in Taiwan and even stronger in Singapore. In addition, more than 40% worry about reducing their children's inheritance and a similar number worry about maintaining their living standards. Perhaps the biggest concern in Hong Kong though is that nearly half feel their financial plans won't support them if they live to 100. Planning for a 100-year life is also a challenge. The majority of investors find it difficult to make effective plans over more than 10 years, and confidence drops when planning for even longer periods. On average, women find this more difficult than men in Hong Kong.

Top concerns related to longevity



Rising healthcare costs

52%



Lower wealth to pass on to successors

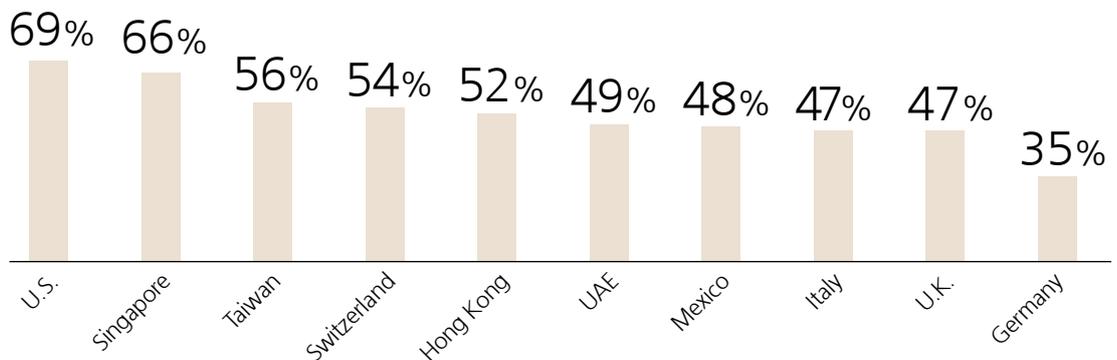
43%



Lowering living standards later in life to preserve wealth

39%

Concern about rising healthcare costs



“ I want to understand which investment tactics can help me become the most financially prepared after retirement to avoid financial stress. ”

– Hong Kong, Male, 68

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Health is more valuable than wealth

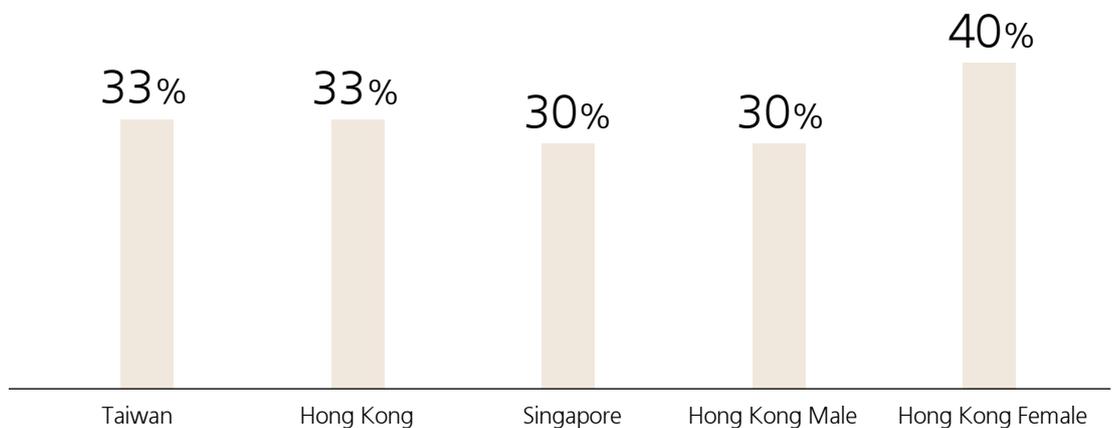
Being healthy is the top priority – and the top concern – for Hong Kong’s wealthy investors. In fact, 93% say investing in their health is more important than growing their wealth. Investors in Singapore and Taiwan feel similarly. At the same time, 86% of investors in Hong Kong worry about their health deteriorating in the next decade. Men are more concerned than women about this. Happily, over 80% are satisfied with their current health. The amount spent on health is also significant, especially among those aged 35 to 50. In addition to doctors’ visits and health insurance, preventative services are also popular, with investors spending significantly on gyms, coaches, supplements and other “lifestyle” expenses. As a result, on average, Hong Kong’s wealthy would be willing to sacrifice a third of their wealth to ensure an extra 10 years of healthy life, which is similar to their counterparts in Singapore and Taiwan. Women though, would be willing to give up much more.

Health is more valuable than wealth



Wealthy investors willing to sacrifice wealth for health

Percentage of wealth willing to sacrifice by country and gender



“I would like to fund more investment in new medical research.”

– Hong Kong, Male, 32

Investors in Hong Kong believe working longer ensures well-being ...

Most wealthy investors see work as inseparable from longevity. On one hand, 93% of those in Hong Kong believe the activity and engagement of work has positive effects on health – the highest figure globally. On the other hand, many believe they will have to work longer to afford the years ahead. Nearly 70% of Hong Kong’s wealthy are already working beyond the traditional retirement age, or would consider doing so, in order to maintain their lifestyle. While work is seen as beneficial, many investors are also taking steps to balance careers and personal lives. In fact, Asian markets are more likely to do this than other places globally. Many investors have reduced their hours and stopped working on weekends and holidays.

Is working longer the fountain of youth?

Percentage who agree with each statement



93% Working as long as possible is **good for your health**

87% 18 to 34 97% Over 65s



69% I am or expect to work longer to **maintain my lifestyle**

70% 18 to 34 78% Over 65s

Investors strive to work more sensibly

Percentage who have made the following changes to improve work / life balance in the last 3 years

71% Stopped working on weekends



69% Not working on holiday

54% Not using work phone or email after business hours



65% Taken a sabbatical from work

“ I want to reduce my working hours ... and free myself at the weekend to work for good causes. ”

– Hong Kong, Male, 66

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Investors care about the health of wider society as well

While their own health may be extremely important, Hong Kong's investors are equally concerned about the health of wider society as well. Indeed, 84% of Hong Kong's wealthy believe it's their "duty" to help less fortunate members of society stay healthy. This view is held to a similar degree in Singapore and in Taiwan. In particular, older investors in Hong Kong feel passionately about this issue. More than 90% of investors over the age of 65 feel this way, which is higher than in other Asian markets.

Wealthy investors feel a strong duty to society on health

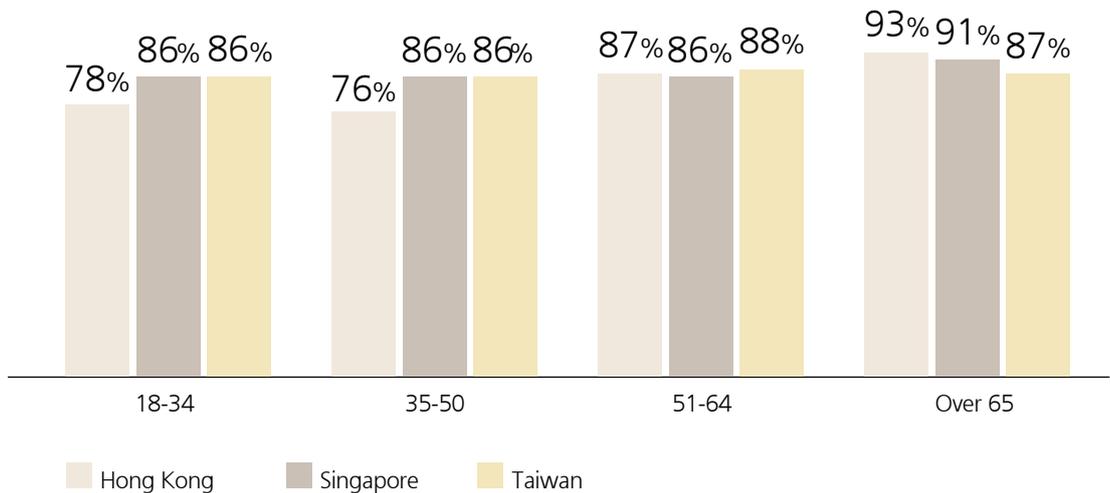


84%

of Hong Kong investors believe they have a duty to **improve the health of wider society**

Older investors are even more passionate about this duty

Percentage who agree they have a duty to improve the health of wider society



“ I would create a plan that promotes health and wellness and can help the community. ”

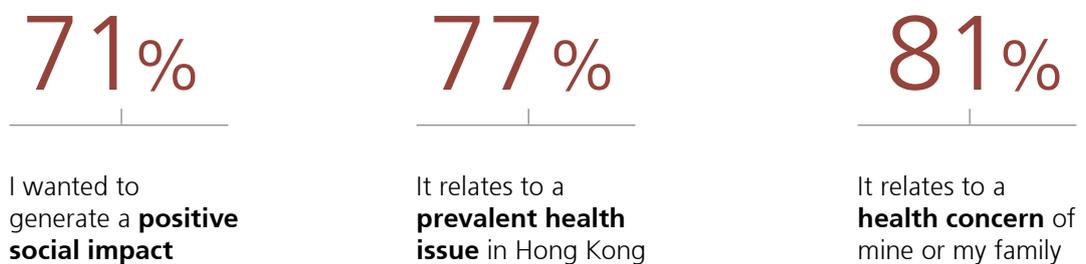
– Hong Kong, Male, 66

Investing in health is highly popular

Hong Kong's wealthy not only feel a strong duty to improve society's health. They are actively investing to address this. Over 70% have invested in an area of health to generate positive social impact. This behavior is much more prominent among women than men. Over half of investors also believe that the biggest healthcare challenge facing Hong Kong is its aging population. Perhaps as a result, 77% have invested in an area of health that it is a significant issue in Hong Kong. Even more have invested in health because of a personal or family connection to this issue. More generally, Hong Kong's wealthy are keen to invest in various parts of the healthcare sector. Compared to other industries, healthcare is seen by investors as the strongest sector to invest in for the long-term. Health insurance, biotech and pharmaceutical companies are all seen as good investment choices.

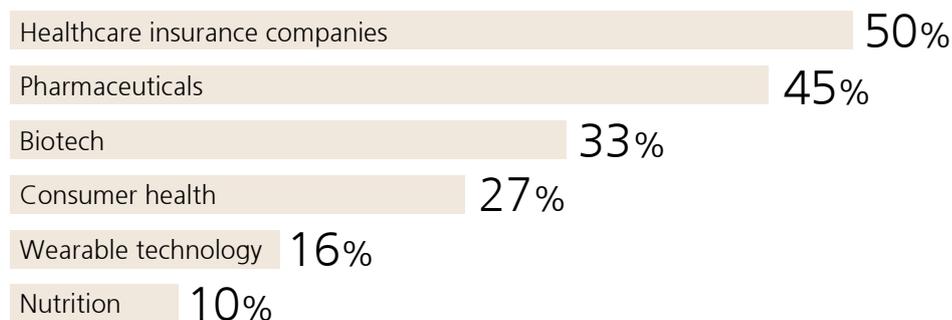
Investing to improve society's health is highly popular

Percentage who have invested in an area of health for a certain reason



Certain parts of the healthcare sector are particularly appealing

Percentage who are currently invested in different areas of healthcare



“ I'd like to fund more investment in new medical research. ”
– Hong Kong, Male, 32

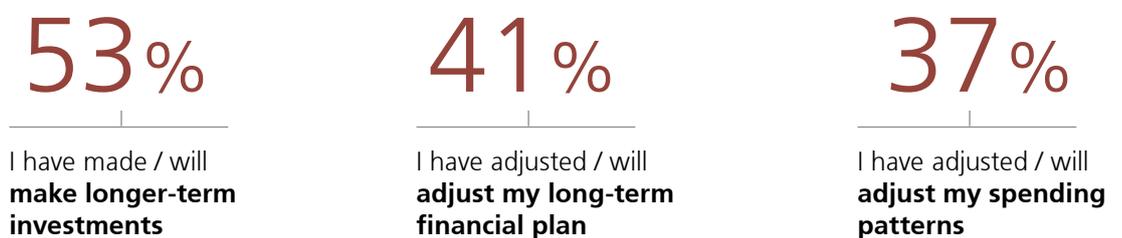
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Longevity is prompting investors to act differently

Nearly all of Hong Kong’s wealthy investors say they have made or will make financial changes in response to increasing life expectancy. While over a third are adjusting their spending habits, the top strategy is to make longer-term investments. Both equities and bonds are seen as very strong long-term investments to make in Hong Kong. This view is similar in Singapore as well. However, a third of investors also feel cash is a good long-term investment. In terms of sectors, Hong Kong’s wealthy investors view healthcare as the most promising sector for long-term investing. Healthcare is also the most popular in Singapore, while investors in Taiwan prefer the financial sector over the long-term.

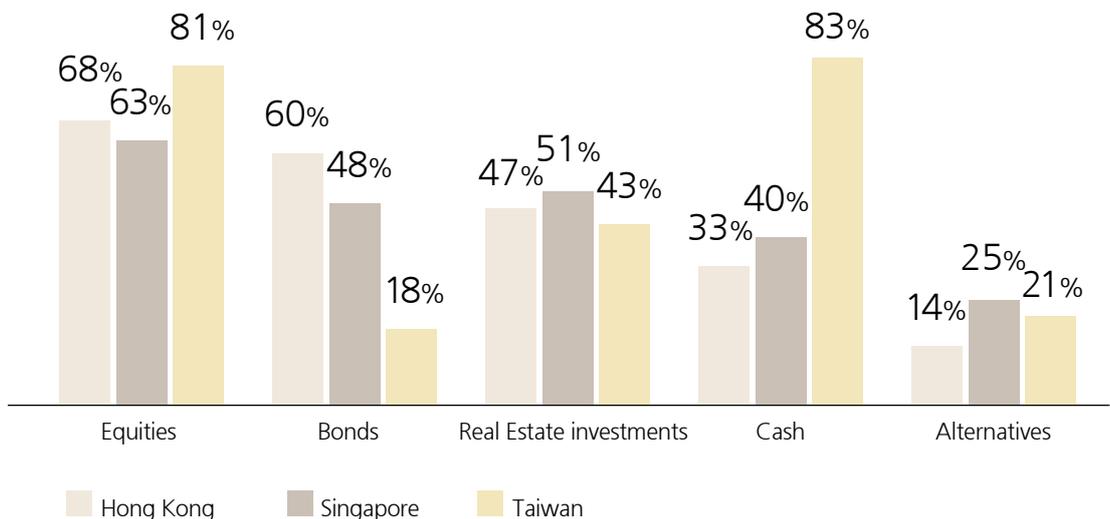
Longevity impacts investing, planning and spending

Percentage who have responded to increased life expectancy



Investors show strong appetite for equities and bonds long-term

Percentage who see different asset classes as a strong long-term investment



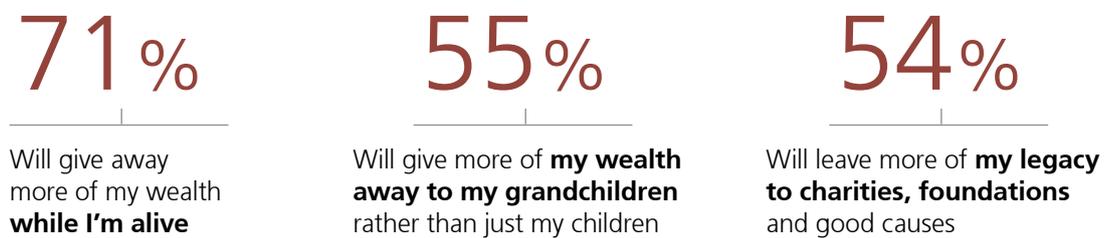
“ I’m looking to increase long-term investment in high-quality stocks. ”
 – Hong Kong, Male, 30

Investors adapt legacy plans to accommodate longer lives

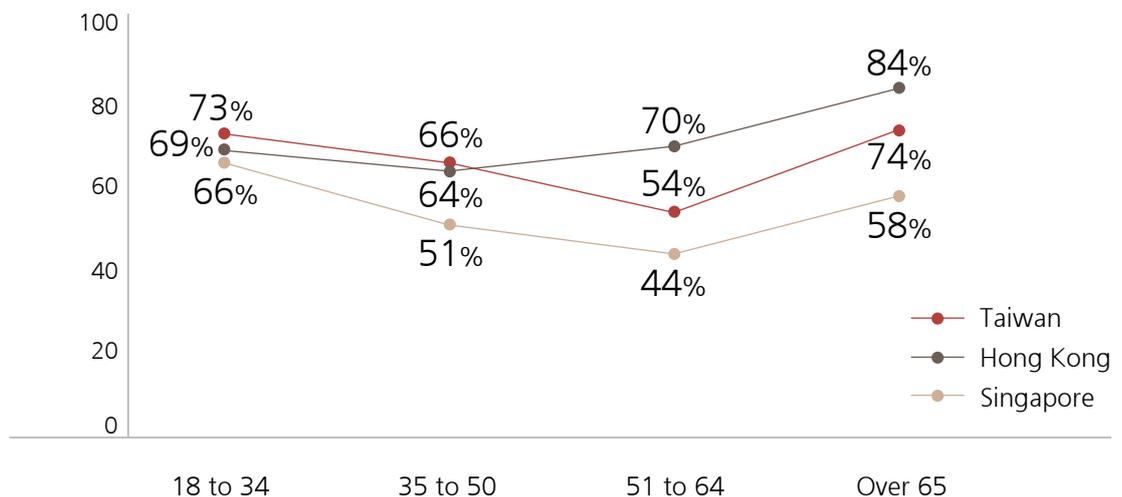
Not only is longevity affecting the wealthy's investment approach, it is also impacting their legacy planning. In Hong Kong, over 70% of investors plan to give more of their wealth away while they are still alive to see heirs enjoy it. Only in Switzerland is this proportion higher. Giving patterns are changing as investors age and watch grandchildren grow into adulthood, with all the accompanying responsibilities of career and family. Over half of Hong Kong's wealthy plan to give more of their wealth to grandchildren than children, believing it will be more useful at their grandchildren's stage of life.

Giving while living is increasingly popular

Percentage who are doing each of the following due to increased life expectancy



Percentage who give away more of their wealth while still alive



“ I will separate some funds for the benefit of my grandchildren. ”
 – Hong Kong, Male, 73

About the survey: UBS Global Wealth Management provides financial advice and solutions to wealthy, institutional and corporate clients worldwide. As part of our leading research capabilities, we survey global investors on a regular basis to keep a pulse on their needs, goals and concerns. Since 2012, *UBS Investor Watch* tracks, analyzes and reports the sentiment of high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this edition of *UBS Investor Watch*, we surveyed more than 5,000 high net worth investors (with at least \$1 million in investable assets). The global sample was split across 10 markets: Germany, Hong Kong, Italy, Mexico, Singapore, Switzerland, Taiwan, UAE, the U.K., and the U.S. The research was conducted between December 2017 and April 2018.



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